finds a matching element, it identifies the associated category, determines whether an appropriate advertisement is available, and, if so, displays an advertisement subject to frequency-caps and other internal limitations.

Internet addresses (also known as "URLs") are included in the directory as an indicator of a consumer's interest in a category of goods or services.[10] The plaintiff's web address is just one of some 250 elements in an "eye-care" category. The inclusion of the 1-800 URL in the eye-care category is premised on the notion that a consumer who enters *www.1800contacts.com* into the address box of his browser, or who conducts a search using the phrase "1-800 Contacts" is interested in eye-care products.

How WhenU Advertising Is Sold

WhenU sells its advertising on the basis of categories such as eye-care or mortgages. It does not "sell" specific keywords and a customer cannot pay to have its pop-up advertisement appear at the same time as any specific website or in connection with any particular trademark. Rather, advertisements are shown when the directory detects a match between a user's interests and a directory category. Thus, even while Vision Direct was a WhenU advertiser, a SaveNow user might have seen SaveNow advertisements for Vision Direct's competitors while accessing Vision Direct's

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10. Every website has an address called a domain name. Each page of a website has an identifier called a Uniform Resource Locator or "URL." For example, "1800contacts.com" is a domain name; http://www.1800contacts.com is a URL. To access a webpage, a computer user types its URL into a browser, a software program such as Internet Explorer. The server that hosts that webpage then causes the HTML code of the webpage to be delivered to the user's computer which, in turn, causes the webpage to be displayed on the user's computer screen. A user who does not know a URL either makes an educated guess, or uses a search engine such as Yahoo! or Google.

website because the directory treats Vision Direct's URL in the same way it treats 1-800's URL.[11]

How WhenU Advertisements Are Displayed

WhenU's advertisements do not display the words "1-800 CONTACTS" or any other trademark belonging to the plaintiff. To the contrary, WhenU's advertisements bear the trademarks and distinctive markings of WhenU and its advertisers.

WhenU's "pop-up" advertisements are displayed in a small window that typically appears flush to the bottom right-hand corner of the consumer's computer screen. WhenU's "pop-under" advertisements are larger, but are not designed to be seen by the consumer until after the consumer closes his browser window. Thus, a consumer would not normally see a WhenU pop-under advertisement at the same time the user has the 1-800 website displayed on his screen. WhenU also has a "panoramic" format, which is a horizontal window that runs along the bottom of the user's computer screen.

Regardless of the format, WhenU's advertisements appear in a distinct, separate window unique to the SaveNow application and represented by its own button on the user's task bar (the "WhenU Window").[12] The WhenU Window is

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11. Vision Direct was a WhenU advertiser and was also sued by 1-800 Contacts. After the argument of the appeal, 1-800 agreed to dismiss its case against Vision Direct.

12. WhenU's software operates within the Microsoft Windows computer operating system. Microsoft Windows launches each software application in a separate "window," a graphical box on the user's computer screen within which all of the functions of that application are displayed and operate. Each application is also identified by a small rectangular box in the "task bar," the strip that (Cont'd)

conspicuously branded. At the time of the lawsuit, the branding of SaveNow advertisements included a bright neon green "$" symbol and the SaveNow service mark; Save advertisements included a bull's eye and the "SAVE!" mark. These and other branding elements give WhenU's advertisements a distinctive look and feel that differentiates them from other advertisements distributed on the Internet as well as from the plaintiff's webpages.

At the commencement of this lawsuit, WhenU advertisements included, on their face, the notice: "A WhenU.com offer – click ? for info." Clicking on the "?" led to a disclaimer explaining that SaveNow offers "are not affiliated with the site you are visiting." In December 2002, after the complaint was filed but several months before the preliminary injunction hearing, WhenU reworked the notice on the face of its advertisements to incorporate the disclaimer. Since then, each advertisement prominently states: "This is a WhenU offer and is not sponsored or displayed by the website you are visiting. *More. . . .*" Clicking on "More . . ." opens a dialog box that contains additional information about SaveNow and WhenU.

SaveNow advertisements do not "transport" the user to a different webpage. When a SaveNow advertisement is displayed, any webpage previously accessed by the user remains on the screen. A user has several choices when a SaveNow advertisement is shown. He can get rid of the advertisement by clicking on the "X" box in the corner of the WhenU Window, he can make a pop-up or panoramic advertisement recede to the background for later viewing by clicking the screen outside the WhenU Window, or he can

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(Cont'd)
typically runs along the bottom of the desktop. Computer users can easily move these windows around the desktop by clicking and dragging. These steps are all familiar, widely understood means of operating a computer desktop in the Windows environment.

elect to access the advertiser's website by clicking within the WhenU Window itself. A user who clicks on the advertisement can easily return to the webpage that was previously on his screen via the browser's "Back" button.[13]

1-800 Contacts' Own Use of Contextual Advertising

1-800 Contacts pays search engines to drive web traffic to its site. When a computer user does a search using a "keyword" purchased by 1-800 (*e.g.*, contacts) he will receive – in addition to listings of search results – a link to the 1-800 website.[14] WhenU adduced evidence that if a consumer were to do an Internet search using the trademarked names of certain 1-800 competitors (*e.g.*, Vision Direct, Coastal Contacts), the consumer would see an advertisement for 1-800 Contacts. Furthermore, that advertisement would be featured on the user's screen far more prominently than the listings for the competitors whose names were entered into the search engine.

No Evidence of Confusion

Petitioner asserts that WhenU's advertisements may cause confusion, but the record contains no evidence of actual confusion on the part of consumers. 1-800 offered a consumer survey, but the survey did not study SaveNow advertisements, and was riddled with methodological flaws. *See generally* Pet. App. 75a-77a and *Wells Fargo*, 293 F. Supp. 2d at 750-54. The district court rightly concluded that it was not evidence of actual confusion. Pet. App. 76a-77a.

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13. The "Back" button, "X" box, and "?" box are standard features of Windows, and Internet users are familiar with their functions.

14. For a description of the keyword advertising employed by one search engine, *see Government Employees Insurance Co. ("GEICO") v. Google, Inc.*, 330 F. Supp. 2d 700, 701-02 (E.D. Va. 2004).

The district court nevertheless found that the survey was "suggestive of the likelihood of initial interest confusion." Pet. App. 77a. While the Second Circuit did not review the district court's application of the initial interest confusion doctrine, it noted that "1-800's claim that [computer users] will likely be confused into thinking that 1-800 has sponsored its competitor's pop up ads is fairly incredulous given that [computer users] who have downloaded the SaveNow software receive numerous WhenU pop-up ads – each displaying the WhenU brand – in varying contexts for a broad range of products." Pet. App. 19A, n.14.[15]

REASONS FOR DENYING THE PETITION

This Court's "considerations governing review on certiorari" are stringent. Sup. Ct. R. 10. A petition for a writ of certiorari will be granted only for "compelling reasons." *Id.* As relevant there, those considerations include whether "a United States court of appeals has entered a decision in conflict with the decision of another United States court of appeals on the same important matter." *Id.* Further, a petition for a writ of certiorari is "rarely granted" when the asserted error is the misapplication of a properly stated rule of law. *Id.*

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15. Numerous other features of WhenU advertisements undermine the district court's conclusion that a SaveNow user might believe that an advertisement touting VisionDirect.com – a competitor of 1-800 Contacts – is sponsored by or affiliated with the plaintiff, including the undisputed facts that: (i) SaveNow advertisements bear the "SaveNow" mark and a bold neon green $ logo; (ii) SaveNow advertisements state on their face that they are a "WhenU offer;" (iii) consumers are informed when they download SaveNow (and on the face of every WhenU advertisement) that WhenU offers are independent of any website they may be visiting when the offer is displayed; and (iv) SaveNow advertisements are displayed in a separate computer window and bear all the other indicia of a distinct software application.

None of the considerations governing review on a writ of certiorari are present in this case. 1-800 mischaracterizes the decision below as holding that the "covert" use of a trademark can never support an infringement claim. But the Second Circuit did not rule that the unseen use of a trademark can never be infringing; it merely held that the particular manner in which WhenU employs the plaintiff's mark to generate online advertisements does not constitute the "use" of a mark. Petitioner also argues that the decision below is at odds with cases involving metatags, cybersquatting and keyword advertising. But the Second Circuit addressed each of those situations in its opinion, explained why they differ from WhenU's advertising, and expressly stated that it was expressing no view on the validity of other Internet cases. Accordingly, the conflict posited by 1-800 simply does not exist.

The "breakneck speed of development on the Internet" (Pet. 17) counsels against review, not in its favor. Courts have repeatedly recognized the need for caution in fashioning rules of law with respect to the Internet. *See, e.g., Name.Space, Inc. v. Network Solutions, Inc.*, 202 F.3d 573, 584 (2d Cir. 2000) ("[T]he lightning speed development of the Internet poses challenges for the common-law adjudicative process. . . . Mindful of the often unforeseeable impact of rapid technological change, we are wary of making legal pronouncements based on highly fluid circumstances, which almost certainly will give way to tomorrow's realities."). That caution is especially warranted here, where this Court is being asked to review an interlocutory ruling, *see VMI v. United States*, 508 U.S. 946, 946 (1993) (court "generally await[s] final judgment in the lower court before exercising [its] certiorari jurisdiction") (citing *American Constr. Co. v. Jacksonville, T. & K.W.R.*, 148 U.S. 372 (1983) and *Locomotive Fireman v. Bangor & Aroostook R. Co.*, 389 U.S. 327 (1967) (*per curiam*), on an issue that has received

relatively little attention in the Circuit Courts. *See, e.g., Brown v. Texas*, 522 U.S. 940, 940 (1997) (one of the reasons for denying certiorari is the increased likelihood that the issue will be resolved correctly if the Court "allows other tribunals to 'serve as laboratories in which the issue receives further study before it is addressed by this Court.'") (quoting *McCray v. New York*, 461 U.S. 961, 962-63 (1983)).

I.

THE SECOND CIRCUIT'S DECISION IS CONSISTENT WITH ESTABLISHED LAW AND IS NOT IN CONFLICT WITH OTHER CIRCUIT COURT DECISIONS

The Second Circuit found that WhenU's software does not "use" plaintiff's mark within the meaning of the Lanham Act.[16] Turning first to the fact that the directory contains URLs, it observed that URLs are in the directory to identify consumer interest in a category of goods or services, not to identify the source of an advertiser's goods or services or to pass them off as the plaintiff's. In other words, the software includes 1-800's website address "precisely because it is a website address, rather than because it bears any resemblance to 1-800's trademark."[17] Pet. App. 14a. *See also Wells Fargo*,

16. Section 32(1)(a) of the Lanham Act, 15 U.S.C. § 1114(1)(a), forbids the "use in commerce" of a registered mark "in connection with" the sale, distribution or advertising of goods or services. Section 43(a), 15 U.S.C. § 1125 applies essentially the same prohibition to unregistered marks. Section 45 of the Lanham Act, 15 U.S.C. § 1127 further provides that a trademark is deemed to be used in commerce "on services when it is used or displayed in the sale or advertising of services."

17. For this reason, the Second Circuit noted that the differences between 1-800's mark (1-800 Contacts) and its website address (Cont'd)

293 F. Supp.2d at 762 ("the SaveNow software only uses URLs to identify the website itself, just like one would have to use the word 'Macy's' to describe the Macy's department store.").

The use of a mark to identify consumers who may be interested in learning about goods or services is not a source-identifying use. Marketers in the bricks and mortar world routinely employ marks to identify potential customers without running afoul of the Lanham Act:

> A company's internal utilization of a trademark in a way that does not communicate it to the public is analogous to an individual's private thoughts about a trademark. Such conduct simply does not violate the Lanham Act, which is concerned with the use of trademarks in connection with the sale of goods or services in a manner likely to lead to consumer confusion as to the source of such goods or services.

Pet. App. 15a.

Indeed, the record included a number of examples of marketing practices that employ marks to target potential customers. For example, CVS Pharmacy tracks its customers' purchases as reflected by the trademarked names of the goods they buy (*e.g.* "Oil of Olay"). Marketers can use the CVS database to identify consumers who purchased a product (*e.g.* "Oil of Olay") and send them coupons for a competing product. Similarly, the Catalina Marketing Corporation has

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(Cont'd)

(www.1800contacts.com) are significant "because they transform 1-800's trademark – which is entitled to protection under the Lanham Act – into a word combination that functions more or less like a public key to 1-800's website." Pet. App. 14a.

developed a technology that generates coupons at a supermarket check-out counter based on the brand names of the goods purchased by the customer, such that a shopper who buys Bounty paper towels might get a coupon with his receipt for Viva paper towels. While these technologies *employ* marks in various ways, they do not "*use*" marks within the meaning of the Lanham Act because they do not use a trademark holder's mark to identify a competitor's product.

Thus, the Second Circuit did not reject the inclusion of the 1-800 mark in the directory as a "use" of the plaintiff's mark merely because it is unseen or "covert." The Second Circuit also considered (among other things) the fact that the mark is not included any place other than the software directory, that the purpose of the directory is to identify potential customers, and that the resulting advertisements do not display or create a possibility of visual confusion with the 1-800 mark. Pet. App. 13a-14a & 19a n.14.

The Second Circuit next rejected the notion that the simultaneous display of advertisements on a user's computer screen with the 1-800 website is a "use" of the 1-800 mark. Once again, while the Second Circuit noted that WhenU's advertisements do not display the plaintiff's marks, it did not rely on that fact alone. It also took into account the fact that the advertisements appear in a separate computer window, are prominently branded with the WhenU mark, and have no effect on the appearance or functionality of the 1-800 website. Of greatest importance, they are completely independent of any content in any other window on the user's computer screen. Thus, the appearance of a WhenU advertisement is not contingent upon or related to 1-800's

display of its trademark in its website or website address. Pet. App. 16a-17a.[18]

The Second Circuit observed that competitors in the bricks and mortar world routinely juxtapose their marks with those of their competitors without "using" them within the meaning of the Lanham Act. As the Second Circuit explained:

> it is routine for vendors to seek specific "product placement" in retail stores precisely to capitalize on their competitors' name recognition. For example, a drug store typically places its own store-brand generic products next to the trademarked products they emulate in order to induce a customer who has specifically sought out the trademarked product to consider the store's less-expenses alternative. WhenU employs this same marketing strategy by informing [computer users] who have sought out a specific trademarked product about available coupons, discounts, or alternative products that may be of interest to them.

Pet. App. 18a.[19]

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18. Indeed, because the directory serves only to identify categories of consumer interest, it makes no difference whether the URLs in the directory are for established contact lens providers or new entrants, popular brands or unpopular ones. The directory's function is to identify the category of potential interest the URL suggests, *e.g.*, an interest in eye-care products. Thus, 1-800 is wrong when it asserts that "advertising opportunities are worth more" based on the presence of "well-known marks" in the directory. Pet. 13.

19. The record contained other examples of side-by-side displays, such as a retailer who hands out leaflets in front of his competitor's store; a fast food shop which pioneers a location, only to find that competitors locate adjacent to it to compete for the traffic drawn by the first shop; and a company who erects a billboard next to a sports arena which has granted exclusive rights to a competitor.

The Second Circuit specifically rejected the notion, urged by 1-800 below and in the petition, that the Lanham Acts protects a trademark holder against *any* effort to capitalize on the holder's good will or reputation. In so doing, the Second Circuit followed a long line of cases holding that as long as a party does not use a mark improperly – *i.e.*, to pass off its goods as those of the holders – it may employ another's mark. Pet. App. 18a (citing *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 29 (2001) and *Kellogg Co. v. Nat'l Biscuit Co.*, 305 U.S. 111, 122 (1938)). *See also Qualitex Co. v. Jacobson Products Co., Inc.*, 514 U.S. 159, 163-64 (1995) (the purpose of trademark law is to prevent others from copying a "source-identifying mark" so a potential customer can be assured that "*this* item – the item with this mark – is made by the same producer as other similarly marked items that he or she liked (or disliked) in the past"); *Prestonettes, Inc. v. Coty*, 264 U.S. 359 (1924) (a trademark "does not confer a right to prohibit the use of the word or words;" it only "gives the right to prohibit the use of it so far as to protect the owner's good will against the sale of another's product as his.") (citing *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97 (1918)); *Societe Comptoir de L'Industrie Cotonniere Establissments Boussac v. Alexander's Dep't Stores, Inc.*, 299 F.2d 33, 36 (2d Cir. 1962) (a competitor is entitled to use another's mark to truthfully denominate his goods a copy of the plaintiff's even though doing so may take advantage of the trademark holder's goodwill); *Hypertherem, Inc. v. Precision Prod., Inc.*, 832 F.2d 697, 701-02 (1st Cir. 1987) (same); *G.D. Searle & Co. v. Hudson Pharm. Corp.*, 715 F.2d 837, 841 (3d Cir. 1983) (same).[20]

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20. The Second Circuit also rejected the notion that the Lanham Act gives 1-800 the right to limit the ability of computer users to display content in other windows on their desktops when they access the 1-800 site: "WhenU does not need 1-800's authorization to display a separate window containing an ad any more than Corel

(Cont'd)

While 1-800 asserts that the Second Circuit's ruling is a departure from the manner in which the "use" requirement has been construed, 1-800 cites no case holding that "use" is not an element of a trademark infringement claim or that finds a non-source identifying use to be a trademark "use."[21] Nor does it address other Circuit Court decisions which have rejected Lanham Act claims because they found no trademark "use." *See, e.g., DaimlerChrysler AG v. Bloom*, 315 F.3d 932, 936 (8th Cir. 2003) (plaintiff not entitled to relief against defendant's use of a vanity telephone number unless defendant advertises or promotes the alphanumeric translation of the number, thereby causing the public to see the protected mark and associate defendant's goods or services with those of the mark holder); *Holiday Inns, Inc. v.*

(Cont'd)

would need authorization from Microsoft to display its WordPerfect word-processor in a window contemporaneously with a Word word-processing window." Pet. App. 20a.

21. As noted above, the Lanham Act does not forbid the use of a trademark. It only forbids the "use in commerce . . . of a registered mark in connection with the sale, offering for sale, distribution or advertising" of goods or services. 15 U.S.C. § 1114(1)(a). A trademark is deemed to be used in commerce only "when it is used or displayed in the sale or advertising of services." 15 U.S.C. § 1127.

Petitioner stresses the word "use" in the phrase "used or displayed." Pet. 15. But if the word "use" was meant in the broad dictionary definition of the word, the phrase "or display" would be superfluous. *See TRW Inc. v. Andrews*, 534 U.S. 19, 31 (2001) (a "'statute ought . . . to be so construed that, if it can be prevented, no clause, sentence, or word shall be superfluous, void, or insignificant.'") (quoting *Duncan v. Walker*, 533 U.S. 167, 174 (2001)). The word "use" is obviously meant to capture situations where a party employs a non-visual mark to identify its good or services, such as a sound or a scent. Because these kinds of marks are not visual they cannot be "displayed" but they can be "used."

800 Reservation, Inc., 86 F.3d 619, 623-26 (6th Cir. 1996) (same; the fact that the defendant took advantage of the confusion created when consumers misdialed the plaintiff's vanity telephone number does not give rise to liability under the Lanham Act because the defendant did not "use" the alphanumeric version of the number to identify its services to the public), *cert. denied*, 519 U.S. 1093 (1997).[22]

This fundamental requirement of a trademark use does not change simply because the defendant is selling its wares on the Internet. Where, as here, a defendant is "only using [the plaintiffs'] trademark in a 'non-trademark' way – that is, in a way that does not identify the source of a product – then trademark infringement and false designation of origin laws do not apply." *Interactive Prods. Corp. v. A2Z Mobile Office Solutions, Inc.*, 326 F.3d 687, 695 (6th Cir. 2003). This is so regardless of whether the web address is also a registered trademark. *Bird v. Parsons*, 289 F.3d 865, 878-79 (6th Cir. 2002) (when a domain name is used to indicate an address on the Internet, and not to identify the source of goods and services, it is not functioning as a trademark).

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22. *See also* Restatement (Third), Unfair Competition, Sec. 20, comment b:

> An actor is subject to liability for infringement only if it uses another's mark or name in identifying the actor's own goods, services, or business. . . . This Section does not apply to the use of another's protected mark for other purposes. Thus, the use of a term, not as a trademark, but solely to describe the actor's goods or services is not an infringement of any trademark rights in the term. . . . Nor does this Section subject to liability one who uses another's protected designation to refer to the other or the other's goods, services, or business, since such use does not create a likelihood of confusion. For example, use of another's trademark in comparative advertising, even if the comparison is unfavorable, does not subject the actor to liability under this Section.

Relying primarily on cases where one product was switched for another, 1-800 attempts to create a conflict among the Circuits by asserting that the Second Circuit refused to credit WhenU's "use" of its mark because it is "covert."[23] Pet. 14. The Second Circuit did not seek to answer the question of whether WhenU's "use" of the 1-800 mark is overt or covert, nor did it fashion a bright line overt/covert test for trademark infringement on the Internet. It simply analyzed the particular way in which WhenU's proprietary software uses the 1-800 mark and concluded that because it does not use the mark to identify the source of its advertisers' goods and services, it does not "use" the mark within the meaning of 15 U.S.C. §§ 1114 or 1125.

1-800 also argues that the Internet cases involving metatags, cybersquatting and keyword advertising create a conflict. But these cases are all distinguishable, as the Second Circuit noted in its opinion. *See* Pet. App. 15a, 19a-20a. Indeed, the Second Circuit made clear that it was not expressing any view on the holdings in those cases, and its opinion can be easily reconciled with the outcome of those cases.

A metatag is a coding statement (or "tag") that describes the content of the webpage to which it is corresponds. *See, e.g., Brookfield Communications, Inc. v. West Coast Entm't*

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23. In the product substitution cases cited by petitioner, the defendant implicitly used the plaintiff's mark to mislead customers about the source of its product. For example, in *Coca-Cola Co. v. Overland Inc.*, 692 F.2d 1250, 1252 (9th Cir. 1982), the defendant restaurant served Coke to customers who had ordered Pepsi without informing the customer of the substitution. By making an undisclosed substitution, the restaurant communicated – implicitly, but unmistakably – that it was delivering a "Coke." In fact, the Second Circuit agrees that the use of a mark in product substitution cases constitutes trademark infringement. *See Franchised Stores of New York, Inc. v. Winter*, 394 F.2d 664, 668 (2d Cir. 1968).

Corp., 174 F.3d 1036, 1045 (9th Cir. 1999). The metatag is not actually visible to someone viewing the webpage, but is present in the HTML code of the webpage. *Id.* at 1061 n.23. The main purpose of a metatag is to give guidance to search engines such as Google which use metatags, as well as other data, to determine what webpages to list in response to a user query and the order of the results listing. *Id.* at 1045. Thus, while metatags are not seen by ordinary computer users, they are "seen" by search engines.

In *Brookfield* and the other metatag cases cited by petitioner, the defendant included the plaintiff's trademark as a metatag for the defendant's own webpages with the intent to attract users who had entered the plaintiff's mark into an Internet search engine. This case is fundamentally different. WhenU does not use anyone else's mark in its metatags, and the purpose of the URLs in the directory is totally different from the purpose of the metatags in *Brookfield*. In contrast to metatags, which influence what consumers see when they use search engines to locate content on the Internet, URLs are included in the directory only so that WhenU can identify sites related to areas of consumer interest, such as eye-care.

Petitioner also relies on cybersquatting cases like *People for the Ethical Treatment of Animals ("PETA") v. Doughney*, 263 F.3d 359, 362-65 (4th Cir. 2001) in which the defendant registered and used a domain name that incorporated the plaintiff's mark. For example, in *PETA*, the defendant registered the domain name "www.peta.org." A user who entered www.peta.org into his browser would access a website entitled "People Eating Tasty Animals" instead of the site of the animal rights organization. There was no dispute in *PETA* that the defendant used the plaintiff's mark. Rather, the issue was whether the defendant used it "in connection with" the sale, distribution or advertising of goods

and services (15 U.S.C. §§ 1114, 1125(a)) and, if so, whether the use was confusing.[24]

By contrast, WhenU does not use the plaintiff's mark in its domain name. Nor does it attempt to trick computer users into accessing its website or the website of its advertisers. A computer user who has installed SaveNow and who types the plaintiff's URL into his browser *will* be connected to the plaintiff's site. While he may thereafter be shown a SaveNow advertisement, that advertisement will not take him to a different webpage unless he affirmatively clicks on it.

Finally, 1-800 cites cases involving keyword advertising. As the Second Circuit noted (Pet. App. 15a & 20a), WhenU's model differs in significant respects from the keyword advertising of search engines.[25] Moreover, the lone Circuit Court decision cited by 1-800, *Playboy Enterprises, Inc. v. Netscape Communications Corp.*, 354 F.3d 1020 (9th Cir.

24. Similarly, in *Panavision Int'l L.P. v. Toeppen*, 141 F.3d 1316, 1324-26 (9th Cir. 1998), the defendant did not contend that he had not used the plaintiff's mark; rather, defendant argued that his use was not a "commercial use" under the Federal Trademark Dilution Act, 15 § U.S.C. 1125(c).

25. There are numerous differences between WhenU's advertising and that generated by search engines. For example, search engine advertising is activated by a computer user initiating a search and the resulting advertisements look like search results. While they may be labeled as "sponsored links," the identity of the sponsor is not stated explicitly. Furthermore, (unlike WhenU), search engines typically "sell" keywords to advertisers, including keywords which are marks (*e.g.*, "GEICO," "American Blind"). Noting the various differences between Google's advertising and WhenU's advertising, *Government Employees Insurance Company ("GEICO") v. Google, Inc.*, 330 F. Supp. 2d 700, 704 (E.D. Va. 2004) and *Google v. American Blind & Wallpaper Factory, Inc.*, No. C03-05340 JF, 2005 WL 832398, at *4 n.17 (N.D. Cal. Mar. 30, 2005) found that the complaints in those cases sufficiently alleged the use of a trademark.

2004), does not specifically address "use" as a separate element of trademark infringement.[26] Instead, it treated the issue as a purely jurisdictional issue, and after noting that there was "no dispute" concerning presence of an interstate commerce nexus, proceeded to analyze initial interest confusion without any discussion or analysis of trademark use. *Id.* at 1024 & n.11.[27]

* * *

WhenU's software is but one vehicle for delivering online advertising. There are many other vehicles for delivering content online that employ marks in some fashion. Each of these software products must be examined individually to determine whether they involve the kind of "use" with which the Lanham

26. In addition to all the other differences between advertising generated by a downloadable software and advertising generated by a search engine, Playboy involved *unlabeled* banner advertisements. This fact was critical to the Ninth Circuit's holding: "Our opinion limits the present holding to situations in which the banner advertisements are not labeled or identified." 354 F.3d at 1036 (Berzon, J., concurring). By contrast, all WhenU advertisements are labeled.

Notably, Judge Berzon wrote separately to express her concern about the possibility that *Playboy* might be applied to a case involving labeled advertisements: "There is a big difference between hijacking a customer to another website by making the customer think he or she is visiting the trademark holder's website . . . and just distracting a potential customer with another *choice*, when it is clear that it is a choice." *Id.* at 1035. Judge Berzon's concurring opinion is consistent with the reasoning of the Second Circuit.

27. As the Second Circuit noted, the phrase "use in commerce" contains two distinct requirements for infringement: there must be a "use" of a mark and that "use" must be "in commerce." Pet. App. 21a. Courts have uniformly recognized that the "in commerce" component is a jurisdictional pre-requisite, and construed it broadly. The same is not true of the "use" requirement. Accordingly, the cases petitioner cites for the proposition that jurisdictional prerequisites are to be construed broadly are correct, but irrelevant. *See* Pet. 6.

Act is concerned. While 1-800 makes broad generalizations about the Second Circuit decision, and predicts dire consequences for mark holders on the Internet, the opinion is confined to the particular advertising software developed by WhenU.[28] It does not create a conflict with the ruling of any other Circuit Court and there is no compelling reason for this Court to review it.

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted,

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28. The notion that the decision will create a haven in the Second Circuit for adware companies seeking to impair the rights of trademark holders is silly. *See* Pet. 29-30. Companies that do business over the Internet are subject to jurisdiction on a very broad basis. *See, e.g., Lakin v. Prudential Sec. Inc.*, 348 F.3d 704, 710-11 (8th Cir. 2003) (defendant's website provides sufficient contacts for specific personal jurisdiction when the "defendant enters into contracts with residents of a foreign jurisdiction that involve the knowing and repeated transmission of computer files over the Internet. . . .") (quoting *Zippo Mfg. Co. v. Zippo Dot Com, Inc.*, 952 F. Supp. 1119, 1124 (W.D. Pa. 1997)); *Gator.com Corp. v. L.L. Bean, Inc.*, 341 F.3d 1072, 1079-81 (9th Cir. 2003).

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Supreme Court, U.S.
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No. 05-397

IN THE

Supreme Court of the United States

1-800 CONTACTS, INC.,
Petitioner,

v.

WHENU.COM, INC.,
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Second Circuit

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REPLY TO BRIEF IN OPPOSITION

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TABLE OF CONTENTS

	Page
TABLE OF AUTHORITIES	ii
INTRODUCTION	1
I. RESPONDENT'S RATIONALE AGAINST REVIEW IS NOT PERSUASIVE	3
II. COMPELLING REASONS EXIST FOR GRANTING REVIEW	7
CONCLUSION	8

TABLE OF AUTHORITIES

CASES — Page

Bird v. Parsons,
289 F.3d 865 (6th Cir. 2002) 5

Brookfield Communications, Inc. v. West Coast Entertainment Corp.,
174 F.3d 1036 (9th Cir. 1999) 2, 6

DaimlerChrysler AG v. Bloom,
315 F.3d 932 (8th Cir. 2003) 4

Holiday Inns, Inc. v. 800 Reservation, Inc.,
86 F.3d 619 (6th Cir. 1996) 4

Interactive Products Corp. v. A2Z Mobile Office Solutions, Inc.,
326 F.3d 687 (6th Cir. 2003) 5

Mazurek v. Armstrong,
520 U.S. 968 (1997) 3

Metro-Goldwyn-Mayer Studios Inc., et al. v. Grokster, Ltd., et al.,
125 S. Ct. 2764 (2005) 3

Playboy Enterprises, Inc. v. Netscape Communications Corp.,
354 F.3d 1020 (9th Cir. 2004) 2, 6, 7

Promatek Industries, Ltd. v. Equitrac Corp.,
300 F.3d 808 (7th Cir. 2002) 6

STATUTE

15 U.S.C. § 1127 4

IN THE

Supreme Court of the United States

No. 05-397

1-800 CONTACTS, INC.,

Petitioner,

v.

WHENU.COM, INC.,

Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Second Circuit

REPLY TO BRIEF IN OPPOSITION

INTRODUCTION

The question presented in this case is simple: does "use" of a trademark under the Lanham Act require that the trademark be displayed or visible to consumers? Answering this question will determine whether covert use of marks is actionable under the Lanham Act as is the case in the Seventh and Ninth Circuits or whether pop-up ad companies like Respondent are free to use the marks of others without fear of reprisal as is the case in the Second Circuit.

Because "use in commerce" is a threshold inquiry, if the use by adware companies of third-party marks to generate pop-ups (and revenue for themselves) can never constitute "use" under the Lanham Act, then trademark owners have no

recourse and are denied the opportunity to establish whether such use gives rise to a likelihood of confusion.

Instead of conceding that this case is appropriate for review by the Supreme Court, Respondent attempts to minimize the circuit split by devoting much of its opposition brief to the functioning and supposed merits of its adware. In an effort to deflect attention away from the actual split among the circuits, Respondent devotes only a few sentences to the Ninth Circuit *Brookfield* and *Playboy* cases on which the circuit split is largely based. Instead of minimizing the conflict, however, the scant treatment paid to such cases highlights Petitioner's position that there is in fact a circuit split. Likewise, Respondent's failure to address Petitioner's assertion that this case raises an important federal question is tantamount to an admission that an important federal question worthy of review exists. To further avert the Court's attention from the compelling reasons for review, Respondent also mischaracterizes the Second Circuit's ruling below, argues the merits, misstates the applicable law, and misconstrues the purpose of the use of third-party trademarks in its pop-up generating software.

The only issue for the Court to consider at this time is whether review should be granted to address the splintered state of the law on whether the covert use of marks, like the use in this case, constitutes a use that can give rise to liability for trademark infringement. Petitioner respectfully asserts that this question is worthy of the Court's time as the Second Circuit's ruling introduces a great level of uncertainty into the expansive and pervasive field of e-commerce. Essentially, the Second Circuit's decision denies trademark owners recourse against the harm they suffer in terms of lost revenue and the erosion of the drawing power of their marks and against the harm inflicted on consumers in terms of deception and confusion that results from Respondent's diversionary practices. Granting review will permit this Court to restore

national uniformity regarding what constitutes "use" under the Lanham Act and will have the added benefit of discouraging forum shopping.

I. RESPONDENT'S RATIONALE AGAINST REVIEW IS NOT PERSUASIVE.

In essence, Respondent asserts that the newness of the Internet and interlocutory nature of proceeding do not weigh in favor of review.[1] Although the Internet has and continues to develop at a rapid rate, it has existed for decades and consumers have been using it for over ten years. Further, this Court has not hesitated to grant review for other cases involving intellectual property and the Internet. *See, e.g., Metro-Goldwyn-Mayer Studios Inc., et al. v. Grokster, Ltd., et al.*, 125 S. Ct. 2764 (2005) (review granted for copyright infringement case relating to "new" technology for sharing electronic files via the Internet).

Further, Respondent erroneously claims that the ruling of the Second Circuit is limited to the particular facts at issue and that the appellate court did not focus on covert use of marks in the Internet. Opp. Brief 11. To the contrary, the Second Circuit's opinion is replete with references to the covert nature of the use at issue, including by way of limited example, references to the "unpublished" and "internal" nature of the directory in which the marks appear (Pet. App. 3a, 6a), that Respondent does not "place" Petitioner's marks on any goods or services (*Id.* at 13-14a) and does not "reproduce or display" Petitioner's marks or cause them to be "displayed" to Internet users (*Id.* at 14a), and that the directory is not "disclosed" (*Id.* at 15a). Thus, given that the Second Cir-

[1] Because there is no "absolute bar" for review of judgments that are non-final (*see Mazurek v. Armstrong*, 520 U.S. 968, 975 (1997)) and because the Second Circuit's erroneous determination may adversely impact resolution of the remaining largely trademark claims, the interlocutory nature of the ruling should not be an impediment to granting review.

cuit's determination of no liability under the Lanham Act was based on the hidden or covert nature of the use of Petitioner's mark when neither the act nor other circuits require visibility for there to be actionable "use," the question presented does in fact address the Second Circuit's ruling and highlights the nature of the circuit split.

Moreover, perhaps recognizing that the Second Circuit's ruling (in requiring that use of a mark be visible to be actionable) places artificial restraints on the Lanham Act's definition of "use in commerce,"[2] Respondent misstates the applicable law and manufactures its own statutory interpretation of the word "use" in the phrase "used or displayed" as "obviously mean[ing] to capture situations where a party employs a non-visual mark to identify its good or services, such as a sound or a scent." Opp. Brief 17, n.21. Respondent cites no authority for such an interpretation; the Lanham Act provides no basis for the term "use" applying only to sounds or scents; and Petitioner has located no authority for this proposition. Nonetheless, even if it were true that the term "use" in the statute's "used or displayed" language relates only to non-visual marks, Respondent's interpretation would certainly cover the hidden use of marks, making actionable the type of covert use of Petitioner's mark at issue in this case!

Although Respondent cites two vanity telephone number cases[3] in which it was determined that the defendants' use of such numbers was not actionable because they did not promote the alphanumeric translation of the numbers, those cases are inapposite. Where the translation of the numbers is not

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[2] As noted in Petitioner's opening brief, the Lanham Act specifies that a mark is "used in commerce" in connection with services when it is "used or displayed in the sale or advertising of services." 15 U.S.C. § 1127.

[3] *DaimlerChrysler AG v. Bloom*, 315 F.3d 932 (8th Cir. 2003); *Holiday Inns, Inc. v. 800 Reservation, Inc.*, 86 F.3d 619 (6th Cir. 1996).

promoted, consumers merely dial a series of numbers without recognizing what word or words to which those numbers may correspond. In contrast, consumers looking for Petitioner by typing the www.1800contacts.com URL into a web browser or search engine are looking precisely for Petitioner's products by its mark (which indicates that the domain name is not a mere website address but performing a source-identifying function).[4] Further, contrary to a telephone situation in which only a single party is reached when a call is made, the consumer using Petitioner's URL to pull up Petitioner's website is also faced at the same time with a pop-up ad for a competitor, with the danger that consumers will believe the pop-up to be generated by the website owner or somehow affiliated with or sponsored by the website owner on which the pop-up appears.[5]

Further, Respondent does not use Petitioner's mark merely to identify a "category" of goods in which consumers may be interested as it asserts, but precisely because Petitioner has a firmly entrenched Internet presence and assured web traffic based on the enormous drawing power of its mark. Given this recognition and drawing power, Respondent clearly has

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[4] Respondent argues that its use of Petitioner's URL is non-actionable because it does not identify a source of a product. Opp. Brief 18. Although the cited cases treat source identification, they are irrelevant. Contrary to the present situation, *Bird v. Parsons*, 289 F.3d 865 (6th Cir. 2002), dealt with the mere registration of a domain name by a registrar, and *Interactive Prods. Corp. v. A2Z Mobile Office Solutions, Inc.*, 326 F.3d 687 (6th Cir. 2003), dealt with the use of a mark not as part of a domain name, but appearing in a URL after the domain name (*i.e.*, after a slash mark and after the TLD ".com").

[5] Although Respondent asserts that the green dollar sign ($) and the exhortation "Save Now!" on the pop-ups are part of Respondent's "distinctive" branding, it is unlikely that such a common sign and slogan would be sufficient to inform consumers that the pop-up is not generated by the website being viewed or is not affiliated with or sponsored by same.

every interest in including Petitioner's mark in its directory because a well-known mark will generate more chances for traffic to be driven to the websites of Petitioner's competitors, which are accessible by clicking on the ads generated by Respondent in response to consumer inquiries for Petitioner's website. Thus, Respondent's use of Petitioner's mark is not merely to identify categories of goods of interest to consumers, but to generate revenue for itself and for Petitioner's competitors through the use of Petitioner's mark.

Contrary to Respondent's claims, the Second Circuit's ruling is in fact a departure from established case law with regard to the manner in which "use" has been construed under the Lanham Act. This departure certainly makes review appropriate in this case. Although Respondent gives short shrift to the metatag and banner generation cases cited by Petitioner,[6] those cases do demonstrate that the behind-the-scenes use of a mark can constitute "use" of a mark and give rise to liability under the Lanham Act. *See* Pet. 19-25. Respondent argues that its situation is "fundamentally different" from the metatag cases because it does not use Petitioner's mark as a metatag; however, it does in fact use Petitioner's URL to generate pop-ups for Petitioner's competitors and to drive traffic to the websites of those competitors just like a metatag drives traffic. Even though the URL may not be used to improve ranking in search engine results, its inclusion in Respondent's directory does serve the same function of increasing the chances that traffic will be driven to the competing pop-up that is generated by use of Petitioner's URL. Likewise, Respondent ineffectively attempts to distinguish its generation of pop-ups from the generation of banner ads in

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[6] *See, Brookfield Communications, Inc. v. West Coast Entm't Corp.*, 174 F.3d 1036 (9th Cir. 1999); *Playboy Enters., Inc. v. Netscape Communications Corp.*, 354 F.3d 1020; *Promatek Indus., Ltd. v. Equitrac Corp.*, 300 F.3d 808 (7th Cir. 2002), among others.

the *Playboy* case,[7] asserting erroneously that "use" was not addressed by the Ninth Circuit. *See, Playboy*, 354 F.3d at 1024 (addressing use and proceeding with next prong of infringement analysis: the likelihood of confusion evaluation).

The Second Circuit's decision rests on a hypertechnical definition of "use" that is not set forth in the Lanham Act, and serves to shield covert use of marks, even where consumers may be confused or assume that the pop-ups generated by Respondent are related to, sponsored by or associated with the website on which the pop-ups appear.

II. COMPELLING REASONS EXIST FOR GRANTING REVIEW.

Although at least both the Seventh and Ninth Circuits recognize that hidden uses of marks may constitute actionable "use in commerce" under the Lanham Act, the Second Circuit found that Respondent's use of Petitioner's mark falls outside the scope of such act. Simply put, the Second Circuit's determination on the nonactionability of covert use of marks in pop-up situations narrows the definition of use under the Lanham Act, cuts off a remedy for trademark owners, and is contrary to the law of other circuits. Thus, under the current fractured state of the law, trademark owners may be entitled to recovery under the Lanham Act in certain circuits, but entirely denied relief under the Lanham Act in others.

In addition to the circuit split on what constitutes actionable use of trademarks, this case presents an important federal question that alone justifies review. Because "use in commerce" is a threshold determination in any action under the Lanham Act, it is thus a gateway to being able to enforce

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[7] Respondent incorrectly asserts that the holding in *Playboy* was limited to unlabeled banner ads as such statement was made in a concurring opinion. 354 F.3d at 1036. Even if it were so limited, because labeling goes to the issue of likelihood of confusion, whether or not a banner or a pop-up is branded or labeled has no bearing on a "use" determination.

trademark rights. Thus, even if there were no split, review would be appropriate because the Second Circuit's decision prohibits trademark owners from seeking redress under the Lanham Act (even when they and consumers are harmed) while encouraging adware companies to trade on the renown of well-known marks of others with no fear of retaliation. Because resolving the question presented will determine how marks may be used to generate Internet advertising, it is of great importance to the ability of parties to conduct business, and to enforce their marks, on the Internet.

CONCLUSION

The Second Circuit's decision undermines the Lanham Act's dual goal of safeguarding consumers from confusion and protecting trademark owners from unfair competition. Further, because the Second Circuit's opinion departs from established principles of law, the state of the law is fractured and parties are encouraged to forum shop by enforcing (or defending through declaratory judgment actions) in the circuit most likely to provide a favorable result. Resolving the split will restore nationwide uniformity to the state of the law. Accordingly, Petitioner respectfully requests that the Court grant its petition and resolve the question presented for review.

Respectfully submitted,

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